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Agenda Item 3

September 12, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. **SUBJECT:** August 2011 Policy Subcommittee Report – Revision of the Global Equity Sub-Asset Class Allocation Ranges Policy
- II. **PROGRAM:** Total Fund
- III. **RECOMMENDATION:** The Investment Committee approve Revision of Global Equity Sub-Asset Class Allocation Ranges Policy

IV. ANALYSIS:

The Policy Subcommittee met on August 15, 2011 to review revisions to the RMARS Policy and Global Equity Sub-Asset Class Allocation Ranges Policy. In addition, the Subcommittee heard the first reading of the revised Global Principles of Accountable Corporate Governance (Global Principles).

The Subcommittee acted as follows:

1. Approved the revisions to the Global Equity Sub-Asset Class Allocation Policy.
2. Deferred consideration of revisions to the RMARS Policy pending Investment Committee discussion of the asset allocation strategy.
3. Approved first reading of the revision of the Global Principles of Accountable Corporate Governance.

Global Equity Sub-Asset Class Allocation Ranges Policy

The revisions made to the Global Equity Sub-Asset Class Allocation Ranges Policy are primarily attributed to the reorganization of the Absolute Return Strategies (ARS) Program, formerly the RMARS Program. ARS staff now report directly to the Chief Investment Officer instead of the Senior Investment Officer – Global Equity. In addition, the allocation of capital to ARS Program is no longer tied to a range within the Global Equity portfolio.

The Subcommittee recommends approval of the revised Global Equity Sub-Asset Class Allocation Ranges Policy.

The revised policy is attached. Unless otherwise noted, the revised policy is presented as black-lined versions from the last adopted policy by the Investment Committee. The black-line uses strike-out to indicate deletions and double underline to indicate additions. Single underline does not indicate a change; rather it indicates that the term is defined in the glossary.

V. STRATEGIC PLAN:

These items will further the following goals of CalPERS Strategic Plan:

- Goal I: Exercise global leadership to ensure the sustainability of CalPERS pension and health benefit systems
- Goal VIII: Manage the risks and volatility of assets and liabilities to ensure sufficient funds are available, first to pay benefits and, second to minimize and stabilize contributions
- Goal IX: Achieve long-term, sustainable, risk adjusted returns

VI. RESULTS/COSTS:

The results of this item will provide CalPERS with enhanced efficiencies and ability to manage the overall portfolio. The revised policies will provide a foundation for compliance, accountability, and transparency.

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